

UNITED STATES INTERNATIONAL TRADE COMMISSION

APPAREL INPUTS IN “SHORT SUPPLY”: CASHMERE AND CAMEL HAIR YARNS

Investigation No. 332-428-001

April 2001



Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-428-001

Products	Apparel of cashmere and camel hair yarns
Requesting Party	Amicale Industries, Inc., New York, NY
Commission Report to: USTR Public	April 16, 2001 April 27, 2001
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THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO THE PRESIDENT ON APRIL 16, 2001. ALL CONFIDENTIAL BUSINESS INFORMATION HAS BEEN REMOVED AND REPLACED WITH "****."

Summary of Findings

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible Caribbean Basin countries from certain cashmere or camel hair yarns, regardless of the source of the yarns, would likely have some adverse effect on U.S. producers of such yarns, U.S. apparel firms that produce the apparel domestically, and their workers, but would likely benefit U.S. producers of fabrics made from such yarns, U.S. apparel firms with assembly operations in the Caribbean Basin, and their U.S.-based workers. U.S. consumers would likely benefit from some of the duty savings resulting from the proposed preferential treatment.

Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2001 in connection with petitions filed by interested parties under the “short supply” provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA).¹

The Commission's advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on February 28, 2001, alleging that certain cashmere and camel hair yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for apparel made in eligible CBTPA beneficiary countries from fabrics produced in the United States of such yarns, regardless of the source of such yarns. The President is required to submit a report to the House Ways and Means and Senate Finance Committees that sets forth the action proposed to be proclaimed, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.²

¹ For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its Internet site for the investigation (www.usitc.gov/332s/shortsup/shortsupintro.htm).

² In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. He authorized CITA and USTR to submit the required report to the Congress.

Brief discussion of products

The cashmere and camel hair yarns named in the petition are classified in subheading 5108.10.60 of the Harmonized Tariff Schedule of the United States (HTS), which provides for yarns of carded fine animal hair, other than of Angora rabbit hair, not put up for retail sale. Apparel articles made from the subject yarns are classified in HTS chapters 61 (knitted or crocheted) and 62 (other apparel of textile materials) under provisions for garments of all types of "wool or fine animal hair."³ The principal apparel articles made from the subject yarns are men's and women's woven coats and jackets, the rates of duty on which average 19 percent ad valorem equivalent.

U.S. imports of the subject yarns totaled \$2.5 million in 2000 and came almost entirely from the United Kingdom and Italy. The cashmere fibers (the soft hair of the cashmere goat) and camel hair originate in China, Mongolia, Afghanistan, and Iran.⁴ Industry sources claim that the U.S. embargo on cashmere fibers and other goods from Afghanistan and Iran puts U.S. yarn producers at a significant disadvantage relative to yarn spinners in other countries, who have access to Afghan and Iranian raw materials.⁵ The Afghan and Iranian cashmere fibers reportedly are coarser, and normally less expensive, than those from China and Mongolia.⁶ According to Amicale Industries, the cost of yarn made in the United States from Chinese and Mongolian cashmere fibers is \$70 per pound, compared with \$50 per pound for imported yarn made from Afghan and Iranian cashmere fibers.⁷

Brief discussion of affected U.S. industries, workers, and consumers

The affected segments of the U.S. textile and apparel industries include producers of yarns, fabrics, and apparel. The four known firms believed to currently make the subject yarns in commercial quantities are (1) Amicale Industries, Inc., New York, NY (the petitioner); (2) Warren Corp., Stafford Springs, CT (the U.S.-based operations of Loro Piana of Italy); (3) Family Yarns Inc., Etna, ME; and (4) Pittsfield Woolen Mills Co., Inc., Pittsfield, ME.⁸ Amicale Industries and Loro Piana have vertically integrated operations in the United States to spin cashmere and camel hair fibers into yarns, weave the yarns into fabrics, and market the finished fabrics. Amicale Industries spins *** pounds of the subject yarns per year in its Charlotte, NC mill and supplements its output with annual imports of about *** pounds.⁹ Family Yarns and Pittsfield Woolen Mills are commission spinners making the subject yarns for L.W. Packard & Co., Inc., (Packard) Ashland, NH, a fabric producer that sold its spinning equipment a few years ago. Packard represents *** percent of the annual yarn output of Family Yarns, which employs a total of *** workers, and *** of that of Pittsfield, which employs a total of 45 workers.¹⁰ The commission spinners' yarn output for Packard consists of yarns named in the petition (i.e., made wholly or in chief weight of cashmere or camel hair) and blended yarns not covered by the petition (***).¹¹

Amicale Industries, Loro Piana, and Packard are the only known U.S. producers of fabrics made from the subject yarns. These firms sell the fabrics to U.S. apparel companies that assemble the garments domestically or in CBTPA countries and Mexico. Amicale Industries states that, if apparel articles made

³ Official U.S. statistics on imports and domestic production of apparel made from cashmere and camel hair yarns are not separately reported.

⁴ U.S.-produced cashmere fibers reportedly are coarser, or thicker, than the foreign fibers and, hence, are not suitable for use in fine woven fabrics. U.S.-made cashmere fibers are used in the manufacture of hand-spun yarns for the home crafts market. Gail White, Ozark Carding Mills, Warsaw, MO, telephone interview by Commission staff, Mar. 24, 2001.

⁵ Karl Spilhaus, President, Cashmere and Camel Hair Manufacturers Institute (CCMI), Boston, MA, written submission to CITA, Mar. 23, 2001.

⁶ Written submissions received by CITA from Karl Spilhaus, CCMI, and James J. Ammeen, President, Neema Clothing Ltd., New York, NY, Mar. 19, 2001.

⁷ Boris Shlomm, President, Amicale Industries, Inc., New York, NY, written submission to the Commission, Apr. 9, 2001.

⁸ Two other firms state that they have the ability and excess capacity to make the subject yarns, but do not currently make them (JILJ Enterprises Inc., West Wyoming, PA, and Victor Forstmann, Inc., Dublin, GA).

⁹ Boris Shlomm, President, Amicale Industries, Inc., telephone interviews by Commission staff, Apr. 5, 2001.

¹⁰ Telephone interviews by Commission staff with Joe Marchelletta, President, Family Yarns Inc., Apr. 5, 2001, and Randy Wright, Pittsfield Woolen Mills Co., Apr. 6, 2001.

¹¹ Joe Marchelletta, President, Family Yarns Inc., and James D. McEwen, Vice President, Finance, and fiber buyer, L.W. Packard & Co., Inc., telephone interviews by Commission staff, Apr. 5, 2001.

from non-U.S. cashmere and camel hair yarns become eligible for preferential treatment under the CBTPA, the firm ***.¹² Packard states that ***.¹³ Loro Piana indicates that ***.

There reportedly are at least 15 significant U.S. producers of apparel made from the subject cashmere and camel hair yarns. This segment of the apparel industry reportedly employs more than 1,000 workers in production, clerical, and sales positions.

Views of interested parties

The only written statement filed with the Commission came from Amicale Industries, which states that yarns made in the United States from Chinese and Mongolian cashmere fibers are more expensive than imported yarns made from Afghan and Iranian cashmere fibers.¹⁴ Amicale states that U.S.-made yarns of Chinese and Mongolian cashmere fibers lead to much higher costs for the finished apparel product, which in turn cannot compete with imported apparel made from Afghan and Iranian cashmere. According to Amicale, the cost of making a coat from fabric woven in the United States of U.S. yarns made from Chinese and Mongolian cashmere fibers is approximately \$350 to \$400, compared with about \$250 to \$300 for an imported coat made from Afghan and Iranian cashmere fibers. The petitioner contends that both U.S. fabric and apparel producers will lose market share to imports of the finished apparel articles if the petitioned yarn is not permitted under the CBTPA program.

Probable economic effect advice¹⁵

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible CBTPA beneficiary countries from the subject cashmere and camel hair yarns, regardless of the source of the yarns, would likely have some adverse effect on U.S. producers of such yarns and their workers. The segment of the U.S. textile industry producing fabrics of the subject yarns would likely expand its imports of the yarns, particularly the lower priced imported yarns made from Afghan and Iranian fibers. The expected increase in yarn imports would likely displace some domestic production of the subject yarns. The extent to which this displacement occurs depends on the reliability of sources of supply for U.S. firms using the imported yarns and on the importance of quality differences relative to price differences to final U.S. consumers. In addition, a portion of the cashmere yarns made domestically are cashmere blends that are not covered by the petition and, therefore, would not be adversely affected by the proposed preferential treatment.

The proposed preferential treatment would benefit U.S. producers of fabrics made from the subject yarns and their workers, and spur demand for the U.S. fabrics. The competitive position of the fabric producers should be enhanced to the extent that they would be able to use imported yarns, which are less expensive than those made domestically, in the production of fabrics for apparel products under the CBTPA program.

The proposed preferential treatment would also benefit U.S. and other apparel firms making garments in eligible CBTPA beneficiary countries from non-U.S. cashmere and camel hair yarns. The expected increase in imports of such apparel from the CBTPA countries would mostly displace imports of similar apparel entering free of duty from Mexico under the North American Free Trade Agreement and dutiable imports from Asian countries. However, the proposed preferential treatment would likely have some adverse effect on U.S. firms making garments domestically and on their workers; it also could spur U.S. apparel firms to move more assembly operations to the CBTPA countries.

U.S. consumers of apparel made from the subject yarns would benefit from the proposed preferential treatment because importers are likely to pass on some of the duty savings to retail consumers in today's highly competitive retail apparel market. In addition, consumers may benefit from having access to a wider range of apparel articles made from the subject yarns.

¹² Boris Shlomm, Amicale Industries, Inc., telephone interviews by Commission staff, Apr. 5, 2001.

¹³ John L. Glidden, President, L.W. Packard & Co., telephone interview by Commission staff, Mar. 24, 2001.

¹⁴ Boris Shlomm, President, Amicale Industries, Inc., New York, NY, written submission to the Commission, Apr. 9, 2001.

¹⁵ The advice below is based on information currently available to the Commission.